

2006-07 Budget Talking Points and DMHC Priorities

Strategic Growth Plan

- Good morning. I wanted to provide a first-hand briefing on the overall budget proposed by Governor Schwarzenegger and also outline some of the priorities that we will be working this year at the DMHC.
- I am here with my senior staff who can help answer your questions. I'd also like acknowledge the work of Adama Iwu, our Executive Fellow. She was instrumental in putting together this presentation today and has become a major asset to our staff. I hope all of you get the opportunity to meet her during her stay with us, which will be until August.
- I'm going to give a detailed description of this year's proposed budget, concentrating on key areas that are of concern to this audience and then we will answer your questions. I'll start with an overview of the ambitious Strategic Growth Plan concentrated heavily within departments organized under the Business, Transportation and Housing Agency.
- BT&H includes the Department of Managed Health Care, which many may not consider to be directly linked with our state's bricks and mortar infrastructure needs. However, the way I view it is that health care is a big part of our state infrastructure. We must sustain and build on our system of care to preserve it for the next generation.
- The Governor's Strategic Growth Plan is designed to ensure California's quality of life and foster continued economic growth with \$222 billion ten-year plan of expenditures for roads, highways, mass transit and water, schools, public facilities and highway law enforcement.
- In the 1950's and 60's Californians made large investments in the state's highways, ports, water supply systems, schools, and universities. The leaders of the time had the foresight and commitment to build the infrastructure that is now the foundation of the sixth largest economy in the world.
- Now it is our turn to build on this past work, and create a prosperous future for our children and grandchildren.
- Phase One of the Strategic Growth Plan will make significant \$14 billion investment in infrastructure over the next ten years, without raising taxes.
- The Administration feels strongly that the time is right for these investments, because the fiscally responsible policies that the Governor has promoted have dramatically cut the state's structural deficit by two-thirds- from \$16.6 billion down to \$4.7 billion.
- Specifically, these investments:
 - Bolster state and local preparedness for pandemic influenza and disease outbreaks with \$21.8 million allocated in 2006-07.
 - Increase preparedness for chemical and radiological disasters and terrorist attacks with \$4.2 million General Fund in 2006-7.
 - Expand disease surveillance and strengthen California's laboratory infrastructure with \$5.5 million General Fund in 2006-07.

- Build health care capacity to meet increased demand for services in disasters with \$3.2 million in 2006-07.
- These items will be contained in legislation and bond measures to be considering this year.

Medi-Cal Reforms

- First of all, the good news. As you know, late yesterday, the Governor directed the Department of Health Services to immediately implement a 5-day emergency program to pay for prescription drugs for beneficiaries who have been unable to obtain them through their Medicare coverage. In addition, the Legislature will consider emergency legislation to extend the payments an additional 10 days. The total amount of this action is \$70 million. By giving this lifeline, it is hoped that this will give the federal system time to correct problems in the near future so that all eligible beneficiaries receive the prescriptions they need.
- Now, I'd also like to review some specifics in the budget that will impact those involved in Medi-Cal managed care, either as a plan, provider or consumer.
- As most of you know, one of the Administration's on-going proposals is to build on the principles of coordinated care and providing a better quality of care for Medi-Cal's most frequent users.
- While Medi-Cal provides critical services for millions of the most medically fragile Californians, they are frequently fragmented and uncoordinated.
 - The Governor's budget invests \$2 million to expand the coordination of care for seniors and persons with disabilities on Medi-Cal. To achieve the goals of better quality care, the Administration builds its current proposal on recommendations from legislators and advocates that a more cautious and deliberate approach be followed.
 - It builds on current efforts to work with consumers, advocates and providers and health plans to further develop the infrastructure and policies, procedures, and performance standards necessary to serve seniors and persons with disabilities in managed care.
 - The budget also includes resources to create demonstration projects to coordinate care for Medi-Cal beneficiaries who have serious mental illness, and those with chronic conditions who are seriously ill and may be nearing the end of their lives.

Children's Health Insurance

Expanding children's health insurance access has been a long-standing priority for the Governor. Thanks to increased revenues, this year the Governor has been able to make a substantial investment of \$75 million to expand enrollment in Healthy Families and Medi-Cal.

Natural and Intentional Disaster Prevention and Preparedness

- Another major priority area for the Administration is preparing for natural or intentional disasters.
- This year, the budget provides \$41.6 million dollars in General Fund for local health departments to support in the prevention, education, testing, and

surveillance and the necessary support in the event of an outbreak of the pandemic flu.

- The DMHC will have a major role in helping to mobilize health care resources in the case of a pandemic flu outbreak. In the next several months, we'll be working with the Administration to develop a plan to quickly work with our stakeholders to coordinate the significant resources available to help combat a major flu outbreak. Details of these plans will be released in the near future.
- This planning process is an excellent example for the public and private systems to come together to fight a potential public health threat. In these types of situations, there is no difference between an insured and uninsured individual, so it makes sense that our approach is on a system-wide basis.

DMHC Priorities

Although we normally have many concurrent programs and projects at the DMHC, I'm going to outline our "Top 5" priorities for 2006.

- Continuing to streamline the licensing process – We've made a good start and will continue to refine our process in order for plans to bring changes to products and new products forward quickly.
- Expanding the Provider Complaint Unit - In 2004-05, the DMHC created the Provider Complaint Unit that was formed at the HMO Help Center to resolve claims payment disputes between plans and providers. As of the beginning of January, the Unit has received nearly 2,200 complaints and recovered more than \$322,000 for California providers. This year, we have been successful in securing additional funding in the Budget to expand the Unit to be able to resolve issues faster. The increased staff will also be available to examine the financial reports that are being received from medical groups under the SB 260 requirements.
 - Independent Dispute Resolution Process – Another key factor in helping to mediate payment disputes will be the formation of the Independent Dispute Resolution Process. Over the past year, many of you have been involved in developing this process, which will be another way for payment disputes to be decided fairly and impartially. As you know, claims payment issues have been an intractable problem and, while we're not there yet, the cooperation and participation of many of you have brought us much closer to the solution. We expect that the independent process will be finalized within the first part of the year.
 - The 2006-07 DMHC budget includes a total increase of \$5.5 million. A large portion of the increase is \$3.8 million to expand provider oversight activities including increasing prompt payment initiatives and evaluating medical group financial solvency data to prevent instability in existing networks. The balance of the increase is \$1.2 million provided to the DMHC by the Department of Finance to pay for the services provided by central service agencies, such as Finance, General Services, Controller's Office, etc. This payment is also given to other state departments utilizing these general government activities.

- Health IT – The DMHC is taking a lead role in developing leadership opportunities to promote health IT advances. We’re approaching it with a few basic credos:
 - All patients should have a private Personal Health Record under their control.
 - All information pertinent to a patient’s care (tests, labs, Rx, health history) should be available to the caregiver.
 - Patients should have accurate, updated benefit, eligibility, deductible, and claim information.

We’ve already gotten a good start with several important health care commitments through the recent UnitedHealth/PacifiCare merger. These include the acceleration of United’s swipe card technology and HIT to PacifiCare operations and \$50 M in grants to community projects that will help advance health IT.

- The other side of health IT advances is to make sure that transparency exists so that consumers have and understand newly available information. In order to demonstrate this need to our stakeholder partners, we’re leading by example here at the DMHC and redesigning our Web site to include an expanded consumer information section. Another exciting project we are working on to help consumers access health information is the completion of the Language Assistance regulations. Soon, we’ll be announcing dates for upcoming public hearings on these regulations.
- Government plans financial solvency – We’re undertaking an effort to address the special needs of our government plan partners to stay financially solvent. This effort will focus on working directly with plans on specific issues and also examining financial standards that may not make sense for the unique business structure of these plans.

I’m going to stop here and answer your questions. Thank you for listening to my presentation.